

Pacific Hospital Supply Co., Ltd.

Regulations Governing Election of Directors and Supervisors

- Article I These Regulations are duly enacted by Pacific Hospital Supply Co., Ltd. (hereinafter referred to as the Company) in accordance with “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” in order to elect directors and supervisors in a fair, impartial and open manner.
- Article II Except as otherwise provided by law and regulation or by this Company's Articles of Incorporation, elections of directors and supervisors shall be conducted in accordance with these Procedures.
- Article III The overall composition of the Board of Directors shall be taken into consideration in the selection of this Company's directors. Diversity shall be concerned in composition of the Board of Directors, and policy of diversity shall be adopted with reference to mode of operation and needs of development of the company. The policy may conclude, but not limited to, the following aspects of standards:
1. Basic requirements and positions: gender, age, nationality, culture background, etc.
 2. Professional knowledge or skills: professional background in fields such as law, accountance, industry, financial affairs, marketing, technology, and etc., professional skills, experiences in the industry, and the like.
- Each board member shall have the necessary knowledge, skill, and experience to perform their duties; the abilities that must be present in the board as a whole are as follows:
1. The ability to make judgments about operations.
 2. Accounting and financial analysis ability.
 3. Business management ability.
 4. Crisis management ability.
 5. Knowledge of the industry.
 6. An international market perspective.
 7. Leadership ability.
 8. Decision-making ability.
- The composition of the Board of Directors may be adjusted by the Board of Directors in concerns of the performance evaluation of the Company.
- Article IV The Company's supervisors shall possess the following requirements:
1. Professional expertise.
 2. Impartial judgment.
 3. Faithful and trustworthy disposition.
 4. Ample hands-on experiences accumulated in the profession.
 5. Capability for reading financial statements.
- Other than the qualification requirements set forth in the preceding paragraph, the Company's supervisors shall include a minimum of one supervisor as an accounting or financial professional.
- Appointments of supervisors shall be made with reference to the provisions on independence contained in the Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies, in order to select appropriate supervisors to help strengthen the corporation's risk management and control of finance and operations.
- A supervisor may not serve concurrently as the director, managerial officer, or any other employee of this Company, and at least one of supervisors should ideally be domiciled in the Republic of China to be able to promptly fulfill the functions of supervisor.
- Article V The Company's independent directors shall be duly elected in a manner consistent with the requirements set forth in “Regulations Governing Appointment of Independent Directors and

Compliance Matters for Public Companies” and shall be duly handled in accordance with requirements set forth in “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”.

Article VI Elections of directors and supervisors at this Company shall be conducted in accordance with the candidate nomination system and procedures set out in Article 192-1 of the Company Act. No additional certification for review of a candidate of director or supervisor, except those which are adopted with a view to investigation of the candidate’s qualification, education, experience, and condition prescribed in Article 30 of the Company Act, shall be requested by the Company without advance notification. The conclusion of review shall be submitted to the shareholders in the light of proper election of directors and supervisors.

When the number of directors falls below five due to the dismissal of a director for any reason, this Corporation shall hold a by-election to fill the vacancy at its next shareholders meeting. When the number of directors falls short by one third of the total number prescribed in this Corporation’s articles of incorporation, this Corporation shall call a special shareholders meeting within 60 days from the date of occurrence to hold a by-election to fill the vacancies.

When the number of independent directors falls below that required under the proviso of Article 14-2, paragraph 1 of the Securities and Exchange Act, or the related provisions of the Taiwan Stock Exchange Corporation rules governing the review of listings, or subparagraph 8 of the Standards for Determining Unsuitability for TPEX Listing under Article 10, Paragraph 1 of the Taipei Exchange Rules Governing the Review of Securities for Trading on the TPEX, a by-election shall be held at the next shareholders meeting to fill the vacancy. When the independent directors are dismissed en masse, a special shareholders meeting shall be called within 60 days from the date of occurrence to hold a by-election to fill the vacancies.

When the number of supervisors falls below that prescribed in this Corporation’s articles of incorporation due to the dismissal of a supervisor for any reason, a by-election to fill the vacancy should ideally be held at the next shareholders meeting. When the supervisors are dismissed en masse, a special shareholders meeting shall be called within 60 days from the date of occurrence to hold a by-election to fill the vacancies.

Article VII A majority of the seats of elected directors, and at least one seat among the elected supervisors or among the elected directors and supervisors shall be banned from the existence of any one of the relationships below:

1. Spouse.
2. Relative within the second degree of kinship.

Article VIII The cumulative voting institute will be used for election of the directors and supervisors at this Company. Each share will have voting rights in number equal to the directors or supervisors to be elected, and may be cast for a single candidate or multiple candidates.

Article IX The provision banning exercise of voting power as set forth in Article 178 of the Company Act is not applicable to election of directors and supervisors.

Article X Candidates with disposing capacity may be elected directors or supervisors. A juristic (corporate) person shareholder may appoint one or several representative(s) to be elected directors or supervisors.

A person falling under any situations set forth in Article 30 of the Company Act shall not serve as the Company’s director or supervisor.

Article XI The number of registered shares held by all directors and supervisors of the Company shall not be below the minimum threshold specified by the competent authority in charge of securities affairs.

In the event that the number of registered shares held by all directors and supervisors of the Company is inadequate to meet the threshold set forth in the preceding paragraph at the time upon being elected, all the directors and supervisors shall make up the shortfall within one

month after taking the tenure of office.

In the event that the Company's directors and supervisors transfer shares or are discharged during their tenure of office and, as a result, the number of registered shares held by them falls below the threshold set forth in the first paragraph, all the directors and supervisors shall make up the shortfall within one month.

- Article XII The Company's directors and supervisors shall have their voting powers duly calculated for independent director and non-independent director election powers based on the quota set forth in the Articles of Incorporation. The ones who win more ballots representing the electing powers shall be elected as directors or supervisors. In the event that two or more win the represented electing powers, and the number exceeds the quota, the ones who win the same number of the electing powers shall take the initiative to determine the outcome through drawing lots upon closure of the election process.
If one does not participate in the lot-drawing process, the chairperson shall draw a lot on his or her behalf.
- Article XIII In the event that a natural person (individual) or a juristic (corporate) person is simultaneously elected director and supervisor, he or she, or it shall not serve as both director and supervisor simultaneously. The vacancy shall be filled by the candidate who wins the next most ballots.
- Article XIV The election ballots for directors and supervisors shall be produced and provided by the Company and shall expressly bear the shareholder account numbers and the number of the electing powers, to be duly affixed with the seal of the Company.
- Article XV As when the election begins, the chair shall appoint a number of persons with shareholder status to perform the respective duties of vote monitoring and counting personnel.
The ballot boxes shall be prepared by the Company and publicly checked by the vote monitoring personnel before voting commences.
- Article XVI If a candidate is a shareholder, a voter must enter the candidate's—account name and shareholder account number in the "candidate" column of the ballot, and the candidate's shareholder account number may also be noted; for a non-shareholder, the voter shall enter the candidate's full name, and the identity number. However, when the candidate is a governmental organization or juristic person shareholder, the name of the governmental organization or juristic-person shareholder shall be entered in the "candidate" column for account name of the ballot, or the name of the representative may be entered instead. When there are multiple representatives, the names of each respective representative shall be entered.
- Article XVII The Board of Directors shall prepare separate ballots for directors and supervisors in numbers corresponding to the directors or supervisors to be elected. The number of voting rights associated with each ballot shall be specified on the ballots, which shall then be distributed to the attending shareholders at the shareholders meeting. Attendance card numbers printed on the ballots may be used instead of recording the names of voting shareholders.
- Article XVIII A ballot is deemed as null and void if meeting any one of the following:
1. Not a ballot provided in accordance with these Regulations.
 2. A blank ballot is cast into the box.
 3. A ballot bearing ambiguous wording or wording that has been tampered with.
 4. A same ballot bears the names or titles of more than one candidate.
 5. A ballot that bears unnecessary words other than the name, shareholder account number or ID Card # or Corporate Identity Code of the shareholder.
 6. The name of candidate entered is not the name in full, but an abbreviated name instead.
 7. Where the ballot is not cast into the ballot box within the time frame announced by the shareholders' meeting chairperson.
 8. Where the candidate, as a shareholder, is found inconsistent with the entries of name, shareholder account number in the Register (Roster) of Shareholders; where the candidate,

as a non-shareholder, is found inconsistent in name, identity certificate code.

9. Where the name of candidate entered is found the same as another shareholder's but there is no shareholder account code or identity certificate code available to identify.

Article XIX The voting rights shall be calculated on site immediately after the end of the poll, and the chair shall announce on the site the conclusion of calculation which consists list of persons elected as directors or supervisors, and the number of voting rights they won.

The voted ballot shall be sealed with signature by the vote monitoring personnel and kept properly for at least one year or until after any litigious action is concluded in the event that a shareholder institute a litigious action in accordance with Article 189 of the Company Act.

Article XX Upon closure of the shareholders' meeting, the elected directors and supervisors shall be given the Electee Certificates. In the event that an elected director or supervisor is unwilling to take the office, he or she shall submit the report to the Company within ten days after receipt of the Electee Certificate.

Article XXI Any matters insufficiently provided for herein shall be subject to the Company Act, Civil Code and other laws and ordinances concerned.

Article XXII These Procedures, and any amendments hereto, shall be implemented after approval by a shareholders meeting.